

EXHIBIT 1

INTRODUCTION

Respondent Californians for Election Accountability, No on 62 (“Committee”) was a committee primarily formed to oppose a ballot measure in the November 2, 2004 statewide election. Proposition 62, which would have instituted an “open primary,” was ultimately defeated. Respondent Vona Copp (“Copp”) served as Respondent Committee’s treasurer at all times relevant to this matter.

We received a complaint alleging that Respondents failed to properly identify Respondent Committee’s sponsor. As a sponsored ballot measure committee, Respondent Committee had a duty to disclose its sponsor on a statement of organization and to include the sponsor’s name in the name of the committee. In this matter, Respondents failed to amend Respondent Committee’s statement of organization to disclose its sponsor and to include the name of its sponsor in Respondent Committee’s name, and failed to include the name of its sponsor in Respondent Committee’s name on its campaign statements and reports.

For the purposes of this stipulation, Respondents’ violations of the Political Reform Act (the “Act”)¹ are stated as follows:

COUNT 1: Respondents Californians for Election Accountability, No on 62 and Vona Copp failed to amend Respondent Committee’s statement of organization to disclose the California Republican Party as the sponsor of Respondent Committee, and to include California Republican Party in Respondent Committee’s name on its statement of organization, in violation of Sections 84102, subdivisions (a) and (b), and 84103, subdivision (a).

COUNT 2: On or about and between October 7, 2004, and December 17, 2004, Respondents Californians for Election Accountability, No on 62 and Vona Copp filed numerous campaign statements and reports, which failed to include the name of its sponsoring organization, the California Republican Party, in Respondent Committee’s name, in violation of Section 84106.

SUMMARY OF THE LAW

An express purpose of the Act, as set forth in Section 81002, subdivision (a), is to ensure that receipts and expenditures affecting election campaigns are fully disclosed to the public, so that voters may be better informed, and improper practices may be

¹ The Political Reform Act is contained in Government Code Sections 81000 through 91014. All statutory references are to the Government Code, unless otherwise indicated. The regulations of the Fair Political Practices Commission are contained in Sections 18110 through 18997 of Title 2 of the California Code of Regulations. All regulatory references are to Title 2, Division 6 of the California Code of Regulations, unless otherwise indicated.

inhibited. To that end, the Act sets forth a comprehensive campaign reporting system designed to accomplish this purpose of disclosure.

Duty to File a Statement of Organization and Disclose Sponsor

Section 82013, subdivision (a) defines a “committee” to include any person who directly or indirectly receives contributions totaling one thousand dollars (\$1,000) or more in a calendar year. This type of committee is commonly referred to as a “recipient committee.” Section 82047.5 defines a “primarily formed committee” to include a recipient committee which is formed or exists primarily to support or oppose a single ballot measure.

Under Section 84101, subdivision (a), a person who qualifies as a recipient committee must file a statement of organization (Form 410) with the Secretary of State within 10 days of qualifying. Pursuant to Section 84103, subdivision (a), whenever there is a change in any of the information contained in a statement of organization, an amendment must be filed with the Secretary of State within 10 days to reflect the change.

Section 82048.7, subdivision (a) defines a “sponsored committee” as a recipient committee, other than a candidate controlled committee, with one or more sponsors. Under Section 82048.7, subdivision (b), an organization sponsors a committee if any of the following apply: (1) the committee receives 80 percent or more of its contributions from the organization; (2) the organization collects contributions for the committee by use of payroll deductions or dues; (3) the organization provides all or nearly all of the administrative services for the committee; or (4) the organization sets the policies for soliciting contributions or making expenditures of committee funds.

A recipient committee’s statement of organization is required to contain the name of the committee, which, in the case of a sponsored committee, must include the name of the sponsor in the sponsored committee’s name. (Section 84102, subd. (a).) Section 84102, subdivision (b) requires that the name, street address, and telephone number of each sponsor be disclosed on the statement of organization.

Whenever identification of a sponsored committee is required by the Act, the identification is required to include the full name of the committee as required in its statement of organization by Section 84102, subdivision (a). (Section 84106.)

Liability of Committee Treasurers

Under Sections 81004, subdivision (b), 84100, and regulation 18427, subdivision (a), it is the duty of a committee’s treasurer to ensure that the committee complies with all of the requirements of the Act concerning the receipt and expenditure of funds, and the reporting of such funds. Sections 83116.5 and 91006 provide that a committee’s treasurer may be held jointly and severally liable, along with the committee, for any reporting violations committed by the committee.

SUMMARY OF THE FACTS

Respondent Committee received approximately \$576,253 in contributions and made approximately \$576,333 in expenditures in connection with the November 2, 2004 statewide election. All but \$2,159 of the contributions received were non-monetary, and the expenditures included non-monetary adjustments of approximately \$574,094. The California Republican Party (“CRP”) contributed a total of approximately \$558,283 in non-monetary contributions to Respondent Committee, or approximately 97 percent of the total contributions received. CRP was Respondent Committee’s sponsor.

COUNT 1

Failure to Disclose Sponsor and Include Name of Sponsor in Name of Committee

Respondents Committee and Copp had a duty to amend Respondent Committee’s statement of organization to disclose Respondent Committee’s sponsor and to include the name of the sponsor in the name of Respondent Committee within ten days of the change.

As of October 5, 2004, Respondent Committee had received non-monetary contributions totaling \$33,112 from the CRP and \$15,811 from the California Democratic Party. On October 6, 2004, Respondents received non-monetary contributions totaling approximately \$440,667 from the CRP. Therefore, on October 6, 2004, Respondent Committee had received approximately 97 percent of its contributions from the CRP, which qualified CRP as Respondent Committee’s sponsor. Based on this change, Respondents were required to amend Respondent Committee’s statement of organization within 10 days, or by October 16, 2004, to disclose the CRP as the sponsor of Respondent Committee, and include “California Republican Party” as part of Respondent Committee’s name.

Respondents filed four statements of organization in connection with the November 2, 2004 statewide election. Respondent Committee’s initial statement of organization, which was filed on June 28, 2004, indicated its name as “Californians for Election Accountability,” with no sponsor listed. Respondents amended the statement on July 12, 2004, to add “No on 62” to Respondent Committee’s name. Respondents amended the statement of organization again on September 1, 2004, to disclose August 25, 2004, as the date it qualified as a committee.² On December 17, 2004, Respondents filed a terminating statement of organization. Respondents failed to amend Respondent Committee’s statement of organization on or between October 6, 2004 through October 16, 2004, to disclose the CRP as Respondent Committee’s sponsor and include “California Republican Party” as part of Respondent Committee’s name on its statement of organization.

² According to Respondent Committee’s amended campaign statement for the reporting period from January 1, 2004 through September 30, 2004, filed October 21, 2004, Respondent Committee qualified as a committee on July 2, 2004.

By failing to amend Respondent Committee's statement of organization within 10 days to disclose the CRP as Respondent Committee's sponsor, and include the "California Republican Party" in the name of Respondent Committee on its statement of organization, Respondents violated Sections 84102, subdivisions (a) and (b), and 84103, subdivision (a).

COUNT 2

Failure to Include Name of Sponsor in Committee Name on Campaign Statements

As a sponsored ballot measure committee, Respondents Committee and Copp had a duty to include the name of Respondent Committee's sponsor in Respondent Committee's name on required campaign statements and reports.

On or about and between October 7, 2004, and December 17, 2004, Respondent Committee and Copp filed numerous campaign statements and reports, which failed to include the name of its sponsoring organization, the California Republican Party, as part of Respondent Committee's name.

By failing to disclose "California Republican Party" as part of Respondent Committee's name on its required campaign statements and reports, Respondent Committee and Copp violated Section 84106.

CONCLUSION

This matter consists of two counts of violating the Act, which carry a maximum administrative penalty of \$5,000 per violation, for a total of \$10,000.

Regarding Count 1, the failure to disclose a sponsor on a committee's statement of organization and to include the name of the sponsor in the name of the sponsored committee is a serious violation of the Act, as it conceals from the public the true nature of the sponsored committee's interests. The typical stipulated administrative penalty for this violation has ranged from the middle to high end of the penalty range, depending on the facts and circumstances involved, especially considering whether the violation was deliberate and with intent to deceive the public. In this matter, Respondent Copp had been a professional treasurer for approximately 13 years and was familiar with the Act. Ms. Copp stated that the intention was not for Respondent Committee to be sponsored, but Ms. Copp acknowledged that at some point she should have realized the committee was sponsored by the CRP and reflected that in an amendment to the statement of organization. The evidence obtained does not show that Respondents deliberately intended to deceive the public. Therefore, an administrative penalty of \$2,500 is warranted for this violation.

Regarding Count 2, administrative penalties for failure to include the name of a sponsor in the committee's name on campaign statements and reports have been in the middle to high end of the range, and also depend on the facts and circumstances involved, particularly considering whether the violation was deliberate and with intent to deceive

the public. Here, Respondents properly reported the contributions received from the CRP on its campaign statements and reports, so it was obvious to the public who Respondent Committee's major supporter was. Nonetheless, the sponsor relationship was not disclosed as required on Respondent Committee's election cycle reports, late contribution reports, or its pre-election and post-election termination campaign statements, and consequently, the public had no way of knowing that Respondent Committee was sponsored by the CRP. Ms. Copp knew that the CRP should have been disclosed as Respondent Committee's sponsor, but never took the steps to make that information public by including the CRP in Respondent Committee's name on its campaign statements and reports. Therefore, an administrative penalty of \$2,500 is appropriate for this violation.

Based on the foregoing facts and circumstances, a penalty in the agreed upon amount of **Five Thousand Dollars (\$5,000)** is justified.